

HOUSE BILL No. 1236

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-17.5.

Synopsis: Local spending caps. Provides that certain expenditures of political subdivisions for local fiscal years beginning after December 31, 2008, may not increase more than the lesser of: (1) 3% of the previous budget year's expenditures; or (2) the sum of: (a) the percentage change of the population of the geographical territory of the political subdivision; and (b) the percentage change of the consumer price index for the Midwest Region for all items as published by the Bureau of Labor Statistics; for the immediately preceding budget year.

Effective: July 1, 2008.

Buck

January 14, 2008, read first time and referred to Committee on Ways and Means.

C
o
p
y



Introduced

Second Regular Session 115th General Assembly (2008)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2007 Regular Session of the General Assembly.

HOUSE BILL No. 1236

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-17.5 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2008]:

4 **Chapter 17.5. Constraints on Budgets of Political Subdivisions**

5 **Sec. 1. This chapter applies to annual budgets of political**
6 **subdivisions for budget years that begin after December 31, 2008.**

7 **Sec. 2. As used in this chapter, "composite percentage change"**
8 **for a geographic region for a time period means the sum of:**

9 (1) the percentage change in inflation for the time period; plus

10 (2) the percentage change in population for the geographic
11 region for the time period.

12 **Sec. 3. As used in this chapter, "controlled fund" of a political**
13 **subdivision refers to the general fund of the political subdivision.**

14 **Sec. 4. (a) As used in this chapter, "expenditure" refers to an**
15 **expenditure from a controlled fund of a political subdivision in a**
16 **political subdivision's fiscal year.**

17 **(b) The term does not include the following:**

2008

IN 1236—LS 6979/DI 113+



C
o
p
y

(1) A payment of a tax refund or refundable tax credit related to a tax liability owed to the political subdivision.

(2) A transfer between controlled funds or accounts within a controlled fund.

(3) The costs of capital construction and repair except for debt service and lease rental payments.

(4) The costs of judgments and settlements.

(5) The costs of providing local property tax replacement credits and local homestead credits.

Sec. 5. As used in this chapter, "inflation proxy" means the Consumer Price Index for All Urban Consumers (CPI-U) for the Midwest Region for all items, index base period 1982-1984=100, as published by the Bureau of Labor Statistics of the United States Department of Labor. This definition is not invalidated if the Bureau of Labor Statistics changes the index base period, but continues to refer to the CPI-U for the Midwest Region for all items with the revised index base period.

Sec. 6. As used in this chapter, "percentage change in inflation" for a time period means the difference of:

(1) the quotient of:

(A) the value of the inflation proxy at the end of the time period; divided by

(B) the value of the inflation proxy at the beginning of the time period, adjusted if necessary to account for changes in the base value of the inflation proxy made during the time period; minus

(2) one (1).

Sec. 7. As used in this chapter, "percentage change in population" for a geographic region for a time period means the difference of:

(1) the quotient of:

(A) the population count for the geographic region at the end of the time period; divided by

(2) the population count for the geographic region at the beginning of the time period; minus

(2) one (1).

Sec. 8. As used in this chapter, "population count" for a geographic region means the population of the geographic region as determined by the most recent of the following:

(1) Federal decennial census (as defined in IC 1-1-3.5-2).

(2) Federal special census.

(3) Special tabulation (as defined in IC 1-1-3.5-2.5).

C
o
p
y



(4) Corrected population count (as defined in IC 1-1-3.5-1.5).

Sec. 9. As used in this chapter, "spending cap" for a fiscal year of a political subdivision refers to the limit on expenditures determined under section 10 of this chapter.

Sec. 10. (a) This subsection applies to a political subdivision that uses a calendar year for the political subdivision's budget year. Except as provided in subsection (c), the maximum total expenditure allowed from the controlled funds of a political subdivision for a budget year may not exceed the amount determined under STEP SIX of the following formula:

STEP ONE: Determine the maximum total expenditure allowed from the controlled funds of the political subdivision for the immediately preceding budget year. The result of this STEP for the budget year beginning January 1, 2008, is the sum of the appropriations from controlled funds made in the political subdivision's annual budget for the budget year beginning January 1, 2008.

STEP TWO: Determine the composite percentage change for the geographic territory of the political subdivision for the nineteen (19) month period:

(A) beginning on January 1 of the second immediately preceding budget year; and

(B) ending on July 31 of the immediately preceding budget year.

STEP THREE: Multiply:

(A) the STEP TWO result; by

(B) twelve-nineteenths (12/19).

STEP FOUR: Determine the lesser of:

(A) the STEP THREE result; or

(B) three-hundredths (0.03).

STEP FIVE: Add:

(A) one (1); plus

(B) the STEP FOUR result.

STEP SIX: Multiply:

(A) the STEP ONE result; by

(B) the STEP FIVE result.

(b) This subsection applies to a school corporation that uses a school year (as defined in IC 20-18-2-17) for the school corporation's budget year. Except as provided in subsection (c), the maximum total expenditure allowed from the controlled funds of a political subdivision for a budget year may not exceed the amount determined under STEP SIX of the following formula:

C
o
p
y



STEP ONE: Determine the maximum total expenditure allowed from the controlled funds of the school corporation for the immediately preceding budget year. The result of this STEP for the budget year beginning July 1, 2008, is the sum of the appropriations from controlled funds made in the school corporation's annual budget for the budget year beginning July 1, 2008.

STEP TWO: Determine the composite percentage change for the school district of the school corporation for the seventeen (17) month period:

(A) beginning on July 1 of the second immediately preceding budget year; and

(B) ending on November 30 of the immediately preceding budget year.

STEP THREE: Multiply:

(A) the STEP TWO result; by

(B) twelve-seventeenths (12/17).

STEP FOUR: Determine the lesser of:

(A) the STEP THREE result; or

(B) three-hundredths (0.03).

STEP FIVE: Add:

(A) one (1); plus

(B) the STEP FOUR result.

STEP SIX: Multiply:

(A) the STEP ONE result; by

(B) the STEP FIVE result.

(c) If a school corporation adopts a resolution to change the school corporation's budget year:

(1) from a school year to a calendar year under IC 6-1.1-17-5.6(d); or

(2) from a calendar year to a school year under IC 6-1.1-17-5.6(e);

the maximum total expenditure allowed from the controlled funds of the school corporation for the initial budget year following the adoption of the resolution is equal to the maximum total expenditure allowed from the controlled funds of the school corporation for the budget year in which the resolution is adopted.

Sec. 11. The fiscal body of a political subdivision shall not appropriate a total sum of expenditures for the political subdivision's fiscal year that exceeds the political subdivision's spending cap for the fiscal year.

Sec. 12. (a) An increase in a political subdivision's spending cap

**C
o
p
y**



for a fiscal year may occur only if at least one (1) of the following occurs:

(1) A spending responsibility has shifted from another level of government to a controlled fund of a political subdivision.

(2) A spending responsibility has shifted from a fund not limited by this chapter to a fund limited by this chapter.

(3) There has been:

(A) an expansion of:

(i) services provided by the political subdivision; and

(ii) spending; and

(B) a tax increase enacted to finance the additional services and spending.

(b) The amount of a political subdivision's spending cap increase under this section shall be determined by the department of local government finance.

Sec. 13. (a) Reductions in a political subdivision's spending cap are mandatory in each year when spending responsibility is:

(1) shifted from a controlled fund of the political subdivision or to another level of government; or

(2) transferred from a controlled fund of a political subdivision to a fund that is not limited by this chapter.

The political subdivision's spending cap must be decreased by the amount of the shift or transfer.

(b) The amount of a political subdivision's spending cap reduction under this section shall be determined by the department of local government finance.

**C
O
P
Y**

